

PROVINCE OF SASKATCHEWAN



2009

ANNUAL REPORT

SASKATCHEWAN GOVERNMENT
INSURANCE SERVICE
RECOGNITION PLAN



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Letters of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the Annual Report of the Saskatchewan Government Insurance Service Recognition Plan for the year ending December 31, 2009.

A handwritten signature in black ink, appearing to read "Rod Gantefer".

Rod Gantefer
Minister of Finance

The Honourable Rod Gantefer
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the Saskatchewan Government Insurance Service Recognition Plan for the year ending December 31, 2009.

A handwritten signature in black ink, appearing to read "Brian Smith".

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Saskatchewan Government Insurance Service Recognition Plan

Introduction

Saskatchewan Government Insurance (SGI) established the SGI Service Recognition Plan (the Plan) effective January 1, 1999 for the payment of retirement benefits to certain employees.

The Plan is not registered under the *Income Tax Act* (Canada). SGI has not established a trust nor does it hold property for the specific purpose of providing benefits to participants of the Plan. Benefits are funded out of SGI's current operations.

SGI was the administrator of the Plan from January 1, 1999 to January 13, 2004. On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan pursuant to *The Financial Administration Act, 1993*.

Enrollment

SGI out-of-scope employees receive benefits from the Plan, provided they meet eligibility requirements. At December 31, 2009, there were 263 (2008 – 258) members in the Plan and 11 (2008 – 20) terminated participants who received benefits from the Plan during the year.

Benefits

Participants in the Plan are eligible for benefits upon termination of employment, without cause, provided they meet eligibility requirement of the earlier of the employee attaining age 50 or the sum of the employee's age and years of service is at least 75. Employees meeting either criterion receive a lump sum payment of five days salary, based on the termination salary rate, for each year of service with SGI.

A participant in the Plan who dies while a member of the Plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit as at termination or retirement based on the formula identified above.

The benefit received is considered a retiring allowance under the *Income Tax Act* (Canada) and is taxable in the hands of the member. A member who has years of service earned prior to 1996 is eligible for a portion of this payment to be a tax-free direct transfer to their RRSP.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

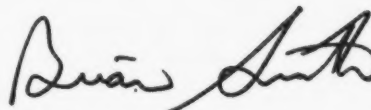
As administrators of the Saskatchewan Government Insurance Service Recognition Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

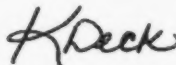
We believe the Saskatchewan Government Insurance Service Recognition Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

The accrued benefits obligation is determined by an actuarial extrapolation. Actuarial valuation and extrapolation reports require management's best estimate assumptions about future events.

We enclose the financial statements of the Saskatchewan Government Insurance Service Recognition Plan for the year ended December 31, 2009 and the Provincial Auditor's report on these financial statements.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency



Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 5, 2010

Actuaries' Opinion

Aon Consulting Inc. was retained by Saskatchewan Government Insurance (SGI) to perform an actuarial valuation of the SGI Service Recognition Plan as at December 31, 2008 with an extrapolation to December 31, 2009. This extrapolation has been prepared for the purpose of determining the actuarial information to be included in the Plan's financial statements as of December 31, 2009.


In my opinion, for the purpose of this actuarial valuation and extrapolation:

- the data on which this valuation is based is sufficient and reliable;
- the actuarial cost methods employed are appropriate; and
- the valuation and extrapolation conforms with the requirements of The Canadian Institute of Chartered Accountants Handbook Section 3461.

The assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered an opinion on them; however, in my opinion, the assumptions are, in aggregate not unreasonable, when considering the circumstances of the plan and the purpose of the valuation and extrapolation.

Emerging experience differing from the assumptions will result in gains or losses, which will be revealed in subsequent valuations.

This actuarial valuation and extrapolation have been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.



David R. Larsen
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

February 5, 2010

**Saskatchewan Government Insurance Service
Recognition Plan**

Financial Statements

Year Ended December 31, 2009

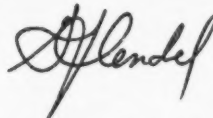
Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits and accrued benefits obligation and surplus of the Saskatchewan Government Insurance Service Recognition Plan as at December 31, 2009, the statement of changes in net assets available for benefits and the statement of changes in accrued benefits obligation for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued benefits obligation and surplus of the Plan as at December 31, 2009 and the changes in net assets available for benefits and changes in accrued benefits obligation for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
February 5, 2010

Fred Wendel, CMA, CA
Provincial Auditor

**Saskatchewan Government Insurance
Service Recognition Plan
Statement of Net Assets Available for Benefits and Accrued
Benefits Obligation and Surplus**

Statement 1

As at December 31

	<u>2009</u>	<u>2008</u>
	(000's)	
ASSETS		
SGI contributions receivable (Note 3)	<u>\$7,699</u>	<u>\$6,344</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>7,699</u>	<u>6,344</u>
Termination benefits payable (Note 6)	-	68
Accrued benefits obligation (Note 3)	<u>7,699</u>	<u>6,276</u>
	<u>7,699</u>	<u>6,344</u>
SURPLUS	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

**Saskatchewan Government Insurance
Service Recognition Plan
Statement of Changes in Net Assets Available for Benefits**

Statement 2

Year Ended December 31

	<u>2009</u>	<u>2008</u>
	<u>(000's)</u>	
INCREASE IN ASSETS		
SGL contributions (Note 3)	<u>\$1,930</u>	<u>\$308</u>
DECREASE IN ASSETS		
Benefit Payments	<u>(575)</u>	<u>(1,145)</u>
Increase (decrease) in net assets	1,355	(837)
NET ASSETS AVAILABLE FOR BENEFITS, beginning of the year	<u>6,344</u>	<u>7,181</u>
NET ASSETS AVAILABLE FOR BENEFITS, end of the year	<u>\$7,699</u>	<u>\$6,344</u>

(See accompanying notes to the financial statements)

**Saskatchewan Government Insurance
Service Recognition Plan
Statement of Changes in Accrued Benefits Obligation**

Statement 3

Year Ended December 31

	2009	2008
	(000's)	
Accrued benefits obligation, beginning of the year	<u>\$6,276</u>	<u>\$7,150</u>
INCREASE IN ACCRUED BENEFITS OBLIGATION:		
Benefits accrued	277	351
Interest on accrued obligation	464	365
Net experience losses	-	647
Change in assumptions	<u>1,435</u>	<u>-</u>
	<u>2,176</u>	<u>1,363</u>
DECREASE IN ACCRUED BENEFITS OBLIGATION:		
Eligible employee terminations	575	1,145
Net Experience gains	178	-
Change in assumptions	<u>-</u>	<u>1,092</u>
	<u>753</u>	<u>2,237</u>
Increase (decrease) in accrued benefit obligation	<u>1,423</u>	<u>(874)</u>
Accrued benefits obligation, end of year	<u>\$7,699</u>	<u>\$6,276</u>

(See accompanying notes to the financial statements)

**Saskatchewan Government Insurance
Service Recognition Plan
Notes to the Financial Statements**

December 31, 2009

1. Description of the Plan

Saskatchewan Government Insurance (SGI) established the SGI Service Recognition Plan (the Plan) on January 1, 1999 for the purpose of providing certain retirement benefits to SGI employees (the Participants).

The Plan is not registered under the *Income Tax Act* (Canada). SGI has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of SGI.

SGI managed the Plan from January 1, 1999 to January 13, 2004. On January 13, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA). An agreement has been established between PEBA and SGI, which specifies the administrative services that SGI will provide.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Eligibility

Under the Plan, SGI out-of-scope employees are eligible for benefits upon termination of employment with SGI. Employees who are terminated for cause are not eligible. Employees must reach their benefit eligibility date prior to termination in order to receive benefits from the Plan. The benefit eligibility date is the earlier of:

- a) age plus service equal to or greater than 75; or
- b) age 50

At December 31, 2009, there were 263 (2008 – 258) participants in the Plan and 11 (2008 – 20) terminated participants who received benefits from the Plan during the year.

Benefits

Employees meeting the eligibility criteria receive a lump sum payment of five days salary (salary rate being the salary paid at the time of cessation of active work) for each year of continuous service less ineligible leave time and ineligible partial service time. Prior to January 1, 2006, the lump sum payment was based on three days salary.

A participant in the Plan who dies while a member of the Plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit payment based on the calculation identified above.

2. Significant Accounting Policies

These financial statements were prepared in accordance with Canadian generally accepted accounting principles.

(a) Future Accounting Policy Changes

Effective January 1, 2011 the Plan will adopt IFRS in place of Canadian GAAP. SGI commenced an IFRS conversion project in 2008 for it, its subsidiaries and the Plan to assess the potential impacts of the transition and developed a detailed project plan to ensure compliance with the new standards. The conversion project is progressing according to the project plan. At this time, the impact on the Plan's future financial position and results of operations is not reasonably determinable.

3. Accrued Benefits Obligation

The accrued benefits obligation of the Plan is a receivable from SGI and will be funded by SGI as eligible employees terminate employment. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of SGI's management.

Aon Consulting Inc. performed an actuarial valuation as at December 31, 2009 based on October 31, 2009 payroll data which was extrapolated to December 31, 2009 by adding service accruals, adding new members to the plan and removing any members that were paid out in November and December.

The accrued benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following significant assumptions:

	<u>2009</u>	<u>2008</u>
Discount rate		
Beginning of year	7.40%	5.25%
End of year	5.00%	7.40%
Inflation rate	2.50%	2.50%
General salary increase	5.00% for 1 year and 3.5% thereafter	8.00% for 1 year and 3.50% thereafter
Expected average remaining service life (EARS�)	<u>9 years</u>	<u>12 years</u>

The following illustrates the effect of changes in these assumptions on the accrued benefits obligation:

Assumption	Change Made	Change in Obligation at December 31, 2009 (000's)	Percentage Change in Obligation
Inflation Rate	Plus 1%	5	0.06%
	Minus 1%	(5)	(0.06)%
Total Discount Rate	Plus 1%	(337)	(4.38%)
	Minus 1%	376	4.88%
General Salary Increase	Plus 1%	378	4.91%
	Minus 1%	(344)	(4.47%)

In assessing the change arising from a change in the inflation rate assumption, both the salary increase rate and the discount rate are changed, as they include inflation as a component.

Net experience gains or losses result from differences between actual and expected employee terminations, retirements, salary increases, deaths and the addition of new plan members.

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

4. Financial Risk Management

The nature of the Plan's operations result in a statement of net assets available for benefits, accrued pension benefits and surplus that consists entirely of financial assets and liabilities. As benefits are funded out of current operations of SGI, the Plan's financial risks relate primarily to credit risk. The maximum credit risk to which it is exposed at December 31, 2009 is limited to the carrying value of its contributions receivable from SGI.

5. Related Party Transactions

Included in these financial statements are transactions with SGI and PEBA, which are related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from SGI at no charge. Additionally, PEBA provides administrative services to the Plan for a yearly administration fee of \$1,000, which is paid by SGI.

6. Termination Benefits Payable

The termination benefits payable for the Plan relate to benefits owed to eligible plan members who retired or left the plan but did not receive their benefits by the year end.

